

PROJECT OVERSIGHT REPORT

Human Resource Management System (HRMS)
Department of Personnel

Report as of Date:
August 2003

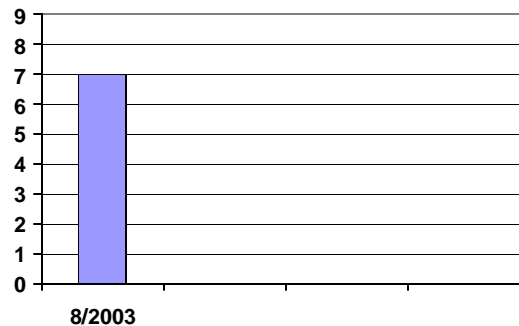
Project Manager: Brian Turner
Executive Sponsor: Gene Matt

MOSTD Staff: Tom Parma

Severity/Risk Rating: High (high severity, high risk)

Oversight: Level 3 – ISB

Overall Project Risk Assessment



Staff Recommendations: ISB oversight staff has no recommendations at this time.

Issues/Risks:

- **Schedule:** Contract negotiations are five weeks behind the original July 18th start date as of this report (August 21st), but good progress is being made. Accenture/SAP's initial project plan assumed an August 11th start date. It is estimated that it will take the vendor 1-2 weeks to fully ramp up work on the project after the contract is signed. DOP and the vendor are making preparations to begin project work (e.g., staffing decisions, site readiness, etc.). DOP will not know the effect of the negotiations delay on the project schedule until the master integrated schedule is finalized. The IBM/PeopleSoft protest did not impact the schedule.
- **Budget/Cost:** The budget for this project has been established by the Legislature. There are currently no other sources of funds available should the project exceed its budget. DOP is authorized to enter into a financing contract during the 2003-2005 Biennium for up to \$32 million (plus financing expenses) for not more than 12 years to purchase, develop, and implement the new HRMS.
- **Scope:** The business requirements that will determine the functions provided by this system are being defined. These may continue to evolve even as the system is being configured and tailored for the state. The fact that the requirements are determined so late in the process and will be dynamic for a period of time creates a high-risk situation.
- **Resources:** DOP operates and provides technical support for HCA's current PEBB system. These systems cannot be decommissioned until HCA's Insurance System Replacement Project (ISRP) is in production. DOP is planning to reassign IT personnel that support HCA to the ISRP project in the near future. In addition, DOP is planning to release contract staff assigned to support HCA beginning later this year. Although DOP and HCA continue to discuss mitigation alternatives for this issue, the continuing delay of ISRP could adversely affect the staffing of the HRMS project.

- Project Management/Processes: There are no issues/risks to report. DOP is currently developing the control documents for this project.
- Other
 - Coordination: The SAP implementation is occurring simultaneously with the requirements development for Civil Service Reform (CSR), Collective Bargaining (CB), and Competitive Contracting (CC). DOP, the Office of Financial Management (OFM), and the Department of General Administration (GA) have established a process to share information among these three efforts and the HRMS implementation. The risk is that these remain three independent efforts running in parallel and failure to keep them synchronized and informed could place additional pressure on the project scope and schedule.
 - Protest: The IBM/PeopleSoft team filed a protest on July 29th. The protest alleged that 1) DOP failed to follow procedures established in the RFP, ISB policy, or applicable state or federal laws, and 2) there were errors in computing the scores. DOP reviewed the IBM/PeopleSoft protest and determined that procedures were followed and that there were no errors in computing the scores. On August 14th DOP was notified by IBM/PeopleSoft notified DOP on August 14th that they would not to appeal DOP's findings.
 - Contract Negotiations: Contract negotiations began immediately after naming the apparently successful vendor (ASV). Although the process has taken longer than anticipated, the parties are making good progress.

Status:

- Life Cycle Stage: The project is in a pre-initiation phase. Once the contracts are signed the project will move into Phase I/Group 1 – planning and assessment (requirements confirmation and design).
- Budget/Cost: The project is currently on budget.
- Schedule: The project is approximately five weeks behind schedule.

Background Information

Description: The Personnel System Reform Act of 2002 (SHB1268) necessitates extensive changes to Washington State's Civil Service System. SHB1268 establishes a January 1, 2005 deadline to begin implementation of a new classification system (civil service reform), and a July 1, 2005 deadline for implementation of the first collective bargaining agreements. By these dates, DOP's HRMS must be able to support the functionality required by the act. DOP is responsible for civil service reform and OFM is responsible for collective bargaining.

DOP's systems support over 65,000 state employees and over 2,000 authorized system users. The systems are over 25 years old, technically complex, costly to modify, and lack the functionality and flexibility to support modern HR practices and many of the anticipated requirements for CSR/CB. The existing systems also support over 200 interfaces to other state and external systems.

DOP/OFM presented the findings of their feasibility study and received approval from the Board at the January 2003 meeting to proceed with the acquisition of integration services, software, and hardware to begin replacing the existing HRIS system. The RFP was released on April 16, 2003 and responses were due May 19, 2003. Two vendors submitted proposals, the team of Accenture/SAP and the team of IBM/PeopleSoft. Both continued through to announcement of

the ASV. Demonstrations and presentations were conducted the week of June 9th. Best and final offers were due June 30, 2003. Accenture/SAP was named the ASV on July 7, 2003.

The major project phases are:

- Phase I – Implement core HR functionality required to support CSR/CB.
 - Group 1 – agencies not subject to CB.
 - Group 2 – remaining agencies.
- Phase II – Implement additional HR functionality.
 - Group 1 – early adopter agencies for Phase II functionality.
 - Group 2 – remaining agencies.

Technology: The proposed technology is:

- SAP's core ERP product, R/3
- SAP's data warehouse product, Business Warehouse
- Microsoft Windows OS
- Microsoft SQL Server DBMS
- Hewlett-Packard Proliant servers
- Accenture and SAP implementation services

Budget: The budget for the 03-05 Biennium authorizes DOP to enter into a financing contract for up to \$32 million (plus financing expenses) for not more than 12 years to purchase, develop, and implement the new HRMS. The legislature also allocated an additional \$10 million from DIS rebates to the project. The state budget states that DOP and OFM...

...shall jointly report to the legislature by January 15, 2004, on progress toward implementing the [HRMS]. The report shall include a description of mitigation strategies employed to address the risks related to: Business requirements not fully defined at the project outset; short time frame for system implementation; and delays experienced by other states. The report shall assess the probability of meeting the system implementation schedule and recommend contingency strategies as needed. The report shall establish the timelines, the critical path, and the dependencies for realizing each of the benefits articulated in the system feasibility study....